



July 12, 2021

Ann Misback Secretary Board of Governors of the Federal Reserve 20th Street and Constitution Avenue  
NW Washington, DC 20551  
Re: Proposed Guidelines for Evaluating Account and Services Requests (Docket No. OP-1747)

Dear Ms. Misback:

On behalf of the 2.2 million credit union members we represent, the Heartland Credit Union Association (HCUA) appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (Board) proposed guidelines (Guidelines) for evaluating account and services requests.

HCUA supports the Board's effort to establish clear and consistent guidelines to evaluate requests for master account access to Reserve Bank accounts and services. However, the proposed Guidelines do not address how the Reserve Banks would ensure that new applicants would demonstrate adequate standards ensuring the safe operation of the payments system for Reserve Bank accounts and services that are not subject to the rigorous regulations and supervision in place for federally-insured depository institutions or privately-insured state-chartered credit unions

We are concerned that broadening access to Reserve Bank accounts without consistent guidelines could introduce unnecessary risks to the payments system. We believe that any new type of entity granted access to Reserve Bank accounts and services increases the risk to the payments system. The extensive regulations in place for credit unions, and the supervision by federal and state examiners to ensure compliance with these regulations, represent the best model to ensure safe access to Reserve Bank accounts and services. The Board's goal should be to apply a similar level of requirements with processes to ensure compliance, as is in place for a federal or state-regulated credit union or bank. Any entity not meeting these requirements should be denied access to the payments system.

The Board's role is to establish guidelines for access to the payments system, with each Reserve Bank responsible for approving access. Because of this division of duties, clear and consistent guidelines for master account access might not be enough to ensure consistent application of the Guidelines. The Board states that an individual Reserve Bank will evaluate each access request on a case-by-case basis, using these Guidelines. As with any guidelines, rules, or regulations, consistent and proper application is nearly as important as the actual requirements. Clearly, the decision to allow access to Reserve Bank accounts and services does not rest with the Board but with the Reserve Banks. Our concern is that the Reserve Banks could apply the Guidelines inconsistently from entity to entity, which could lead to different outcomes for applications and possibly differences in how entities are supervised for ongoing compliance. To ensure consistent application of the Guidelines, the Board and the Reserve Banks should create a uniform evaluation policy and procedures so that the Guidelines are deployed consistently across the Reserve Banks when approving an entity to have master account access at a Reserve Bank.

6800 College Boulevard  
Suite 300  
Overland Park, KS 66211

800.392.3074

[Heartlandcua.org](http://Heartlandcua.org)

## Risk Management Requirements

The Guidelines adequately address risk by credit unions. We also believe the Guidelines represent a good starting point for any entity that requests access to Reserve Bank accounts. The banking framework creates uniform risk management standards that would help ensure every entity that requests access to Reserve Bank accounts meets minimum standards. Regulations and requirements designed for insured deposit-taking, lending, fiduciary activities, and other traditional banking activities may not always be the most appropriate if applied directly to all entities that may be legally eligible to hold accounts at the Reserve Bank because of different structures and risks. Thus, entities that engage in evolving business models, that offer novel products, and those using charters that do not match their business model will likely require additional requirements to mitigate the risk of their activities. Guidelines for these entities should at least be as robust as those in place for credit unions and banks, especially considering these entities will likely never be supervised to the degree provided by the credit union and bank regulators.

We agree that all entities seeking access to Reserve Bank accounts should have an effective risk management framework in place. Sound risk management is crucial to the ongoing success of any entity. However, while the approach taken to achieve effective risk management can, it should include common elements. Credit unions and banks of all sizes are required to have formal risk management frameworks in place. Through a risk management framework, a credit union should identify, mitigate, monitor, and manage the financial and operational risks posed by its business model. A credit union's risk management framework is based on its risk profile, encompassing size and complexity. Credit unions engage in forward-looking evaluation of their balance sheets, as required by regulation or as part of their risk management process. In addition, credit unions engage in stress testing and portfolio analysis that use assumptions about the future to identify potential adverse balance sheet impacts. Most, if not all, credit unions meet the requirements in Guideline 2(b), including 2(b)(i), through their risk management programs. We agree that all entities should be required to have similar risk management programs in place, although we do not think small entities should have formal stress testing requirements unless required by their risk profile.

## General Access Requirements

The proposed Guidelines appear to be developed from the regulatory framework for depository institutions. We agree that this framework should be the foundation of the Guidelines, as banks and credit unions following this regulatory framework make up the backbone of the financial services system and the private portion of the payments system. Applying this regulatory framework to all entities that seek access to Reserve Bank services represents the logical starting point for uniform requirements, but a non-depository institution will present unique risks due to the nature of being unregulated and not examined for compliance with regulations.

We agree that access should be predicated on the consistency of the institution's activities and services with applicable laws and regulations, such as Article 4A of the Uniform Commercial Code and the Electronic Fund Transfer Act, and that the Reserve Bank should also consider whether the design of the institution's services would impede compliance by the institution's customers with U.S. sanction programs, Bank Secrecy Act (B.S.A.) and anti-money-laundering (A.M.L.) requirements or regulations, or consumer protection laws and regulations. Furthermore, the provision of an account and services to an institution should not present or create undue credit, operational, settlement, cyber or other risks to the Reserve Bank. This Principle is like the regulatory requirements for credit unions and should be required of any entity that accesses a payments system to ensure adequate protection of the system and consumers.

### Monitoring Compliance with the Guidelines

The Board should develop a process to monitor entities granted Reserve Bank access on an ongoing basis. Credit unions and banks are required to file quarterly call reports, which provide details on the overall financial health of the credit union or bank. Entities that do not file call reports should be required to file a similar document with the Reserve Banks on a quarterly basis to help the Banks and other stakeholders assess the financial condition of the entity that has access to Reserve Bank accounts and services. These reports should be audited to ensure they are as reliable as call reports and made public so stakeholders can assess an entity's ability to fulfill its obligations.

The Guidelines should include assessment of cybersecurity risks for entities that might not fall under such requirements by a prudential regulator. Credit unions and banks are subject to stringent cybersecurity requirements and examined to ensure compliance with these requirements. Similarly, other entities approved for Reserve Bank accounts and services should be subject to cybersecurity requirements to ensure operational resilience and business continuity requirements can be met. We suggest that non-depository institutions be required to follow the same or similar requirements as credit unions and banks and, because these institutions will likely not be examined, they should be required to have an annual cyber audit to ensure compliance with the Guidelines and other best practices.

As always, we appreciate the opportunity to review this issue. We will be happy to respond to any questions regarding these comments.

Sincerely,

A handwritten signature in black ink that reads "Bradley D. Douglas". The signature is written in a cursive, flowing style.

Brad Douglas  
President/CEO